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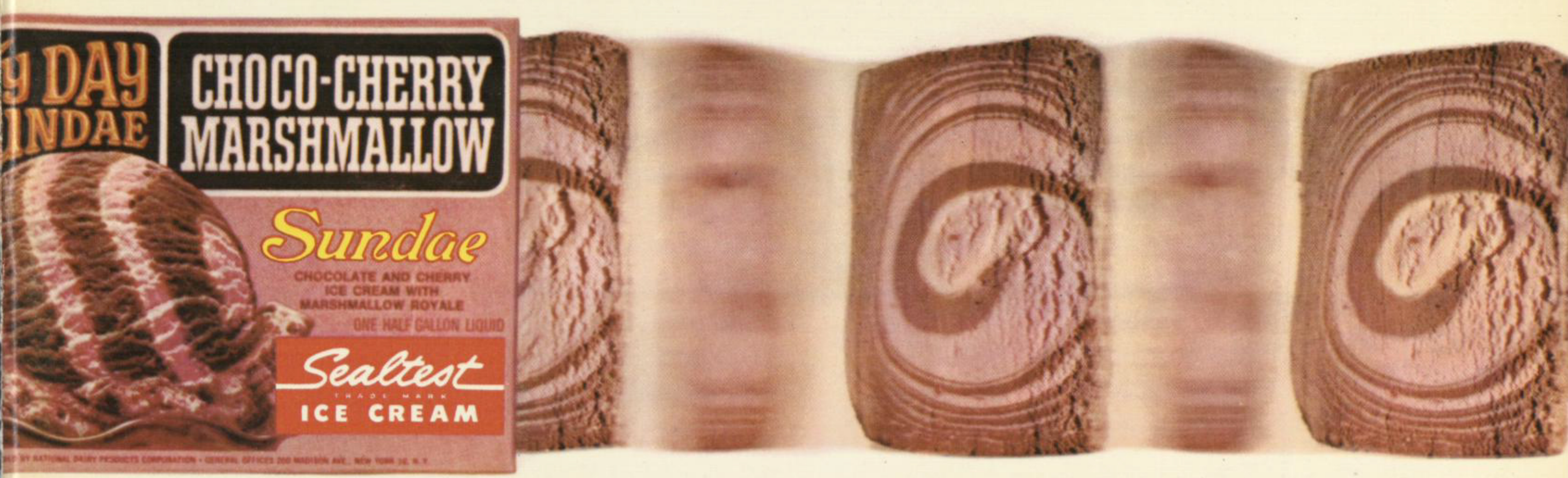
CORPORATION FILE


DAY
NDAE
CHOCO-CHERRY
MARSHMALLOW
Sundae
CHOCOLATE AND CHERRY
ICE CREAM WITH
MARSHMALLOW ROYALE
ONE HALF GALLON LIQUID
Sealtest
TRADE MARK
ICE CREAM

NATIONAL DAIRY PRODUCTS CORPORATION

KRAFT
8 FL. OZS.
KRAFT
FRENCH
DRESSING
Creamy thick and mild

ANNUAL REPORT 1966

EXTRA SHARP
Cracker Barrel
Cheese
KRAFT
NATURAL
CHEDDAR

NATIONAL DAIRY PRODUCTS CORPORATION

ANNUAL REPORT 1966

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ANNUAL MEETING

Stockholders of National Dairy Products Corporation are cordially invited to our Annual Meeting which will take place on Thursday, April 20, 1967, at 11 a.m. at the Statler Hilton Hotel, 33rd Street and Seventh Avenue, New York City, N.Y.

BOARD OF DIRECTORS

Standing, left to right:

Edgar N. Brawner
GENERAL MANAGER WASHINGTON DISTRICT
SEALTEST FOODS DIVISION, WASHINGTON, D.C.

Emanuel M. Terner
FORMER PRESIDENT, METRO GLASS DIVISION
JERSEY CITY

William O. Beers
VICE PRESIDENT
PRESIDENT, KRAFT FOODS DIVISION, CHICAGO

Robert L. Talbot
VICE PRESIDENT

J. Huber Wetenhall
FORMER CHAIRMAN OF THE BOARD

John R. Edwards
VICE PRESIDENT
PRESIDENT, SEALTEST FOODS DIVISION, N. Y.

John L. Weinberg
PARTNER, GOLDMAN, SACHS & CO.
NEW YORK

Herbert Humphreys
CHAIRMAN, HUMKO PRODUCTS DIVISION
MEMPHIS

Richard C. Bond
CHAIRMAN, JOHN WANAMAKER PHILADELPHIA, INC.
PHILADELPHIA

Sitting, left to right:

Barry T. Leithead
CHAIRMAN, CLUETT, PEABODY & CO., INC.
NEW YORK

David L. Luke
DIRECTOR, WEST VIRGINIA PULP & PAPER CO.
NEW YORK

William E. Nuessle
VICE PRESIDENT

Paul C. Cabot
CHAIRMAN, STATE STREET INVESTMENT CORPORATION
BOSTON

Gordon Edwards
PRESIDENT

Henry W. Breyer, Jr.
PRESIDENT, BREYER CORPORATION, INVESTMENTS
PHILADELPHIA

Philip D. Reed
FORMER CHAIRMAN, GENERAL ELECTRIC CO.
NEW YORK

Walter N. Thayer
PRESIDENT, WHITNEY COMMUNICATIONS CORPORATION
NEW YORK

EXECUTIVE COMMITTEE

Gordon Edwards,
CHAIRMAN
William O. Beers
Henry W. Breyer, Jr.
Paul C. Cabot
John R. Edwards
David L. Luke
Philip D. Reed
John L. Weinberg
J. Huber Wetenhall

FINANCE COMMITTEE

Robert L. Talbot,
CHAIRMAN
William O. Beers
Richard C. Bond
Henry W. Breyer, Jr.
Paul C. Cabot
Gordon Edwards
John R. Edwards
Philip D. Reed
Walter N. Thayer
John L. Weinberg
J. Huber Wetenhall

OFFICERS

Gordon Edwards
PRESIDENT

William O. Beers
VICE PRESIDENT

John R. Edwards
VICE PRESIDENT

Louis E. Lynch
VICE PRESIDENT

William E. Nuessle
VICE PRESIDENT—GENERAL COUNSEL

Robert L. Talbot
VICE PRESIDENT

Joseph L. Caliri
SECRETARY

Kenneth B. Fishpaw
COMPTROLLER

William B. Jordan
TREASURER

Charles H. Watts
ASSISTANT GENERAL COUNSEL

Elizabeth H. Dreher
ASSISTANT SECRETARY

Catharine Fournier
ASSISTANT SECRETARY

I. L. Olson
ASSISTANT SECRETARY

John E. Quinn
ASSISTANT TREASURER

L. J. Zimmerlein
ASSISTANT COMPTROLLER

OPERATING COMMITTEE

Gordon Edwards
CHAIRMAN

L. M. Becker
William O. Beers
John E. Bellinger
Sam Cooper
John R. Edwards
James S. Erickson
Dr. Raymond H. Hartigan
Herbert Humphreys

TRANSFER AGENT
MANUFACTURERS HANOVER
TRUST COMPANY
New York, New York

COUNSEL
SULLIVAN & CROMWELL

REGISTRAR
THE CHASE MANHATTAN BANK, N.A.
New York, New York

AUDITORS
ARTHUR ANDERSEN & CO.

FINANCIAL HIGHLIGHTS

	1966	1965
Sales	$2,251,725,000	$2,017,280,000
Earnings	$ 73,461,000	$ 69,902,000
Per Share	$2.55	$2.41*
Per Dollar of Sales	3.26%	3.47%
Federal and Foreign Taxes on Income	$ 62,015,000	$ 59,155,000
Per Share	$2.15	$2.04*
Dividends to Stockholders	$ 40,413,000	$ 37,664,000
Per Share	$1.40	$1.30*
Capital Expenditures	$ 42,481,000	$ 37,767,000
Depreciation	$ 38,481,000	$ 38,222,000
Working Capital	$ 325,604,000	$ 309,001,000
Stockholders' Equity	$ 592,680,000	$ 566,239,000
Number of Stockholders	71,240	68,762

Fiscal 1966 was for a period of 53 weeks; 1965 for 52 weeks.

*Restated to reflect two-for-one stock split in 1966.

Financial Review and Statements begin on page 22.

PRESIDENT'S REPORT TO STOCKHOLDERS

The year 1966 was one of excellent progress for National Dairy. Record highs were established in sales and profits and also in earnings per share of common stock.

Our customers—thousands of food retailers and wholesalers, food service institutions, industrial processors and manufacturers—distributed an all-time record volume of National Dairy products to consumers in over 100 countries of the free world. 1966 sales totaled $2,252,000,000, an increase of $234,400,000 or 11.6% over 1965. This represents the largest dollar volume increase in any single year in the Company's history.

Net earnings amounted to $73,461,000, an increase of $3,559,000 or 5.1% over those of 1965. This is the fifth consecutive year record earnings have been achieved. In terms of shares of common stock, adjusted for the two-for-one split, earnings were $2.55 per share compared to $2.41 in the previous year.

All of our Divisions—Kraft, Sealtest, Breakstone, HumKo, Metro Glass, Sugar Creek and Research and Development—contributed to the Company's growth through the expansion of facilities, increased operating efficiencies and product innovations.

The acceptance of our products in world markets is a tribute to the Company's commitment to high quality, superior values and excellent service. Successful participation in the highly competitive industries in which we are engaged requires creative research to keep pace with the ever-changing consumer needs and desires for variety and convenience, requires efficient production methods and requires aggressive marketing programs to introduce new products and expand the use of those already established.

Outlined in this report are some details of the Company's worldwide achievements in these areas in 1966. Many new and improved products were introduced either in test markets or for regional and national distribution. Plant capacity was increased with new and modernized facilities through capital expenditures amounting to $42,481,000. Continued diversification through the acquisition of new businesses created additional opportunities in overseas markets.

Growth through innovation—success in meeting the challenge of changing conditions—is made possible through the continuing dedicated efforts of some 46,500 employees around the world. To these men and women, we express our sincere appreciation. We are grateful also for the important contributions to the successful operation of our business made through the cooperation of our customers and suppliers, as well as the interest and encouragement expressed by our many thousands of stockholders.

On November 1, 1966, J. Huber Wetenhall, who at that time was Chairman of the Board and Chief Executive Officer of our Company, retired from active management in accordance with Company policy after 37 years of service. I am sure all of our stockholders and associates join me in expressing our deep gratitude for his inspiring leadership and our congratulations for the great record made by the Company under his direction.

We are fortunate that he has agreed to continue to serve as a director. All of us extend our best wishes to him for many years of good health and happiness.

On May 1, 1966, L. P. McCoun retired after almost 43 years of dedicated service. He was succeeded by James S. Erickson as President of our Sugar Creek Foods Division.

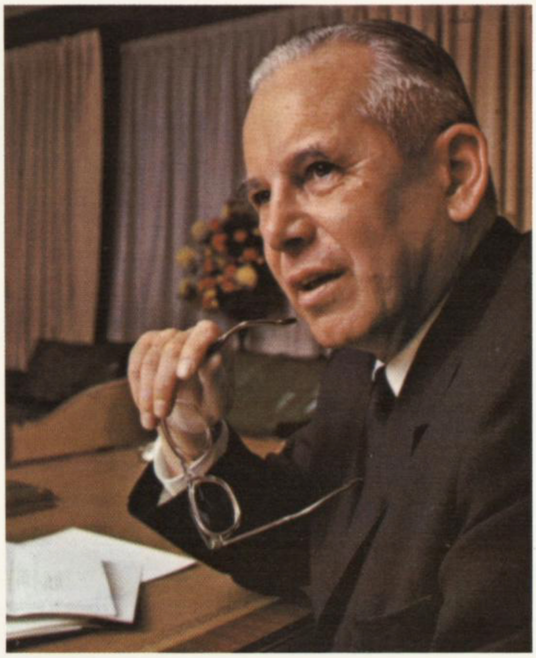
On January 1, 1967, John E. Bellinger was made President of the Metro Glass Division succeeding E. M. Terner, who retired after a distinguished career of some 38 years in the glass industry. In accordance with Company policy, Mr. Terner is not standing for re-election to the Board of Directors.

Two changes involved corporate management in the Company's headquarters office. Louis E. Lynch was elected Vice President and Donald J. Martin was appointed Director of Public Relations.

It is with deep regret that we record the deaths in 1966 of two former associates. George H. Rutherford, who served the Company for 32 years before his retirement in 1964, died on August 4, 1966. He had been a Vice President, Director and Chairman of the Finance Committee. L. A. Van Bomel, who was Chairman of the Board and Chief Executive Officer prior to his retirement in 1957, after 48 years of service, died on December 21, 1966. We mourn the passing of these two great business leaders, who made important contributions to the growth and success of our Company during the many years they served in active management.

Looking ahead, 1967 should be a good year. We believe the prospects for the continued growth and success of our Company are excellent.

FEBRUARY 23, 1967



Gordon Edwards

PRESIDENT

YEAR IN REVIEW

The year 1966 was one of progress and growth, achievement and change. Outlined below are some of the year's more significant events and a cross section of the many products added to our various lines.

JANUARY

For the first time, National Dairy entered the frozen prepared food business. Fifty-five Kraft frozen prepared foods for the institutional food service industry were placed in test markets.

Breakstone
RED RASPBERRY YOGURT
Breakstone
BLUEBERRY YOGURT

The Breakstone line of yogurt products was expanded to include red raspberry and blueberry flavors.

FEBRUARY

The Board of Directors increased the dividend from 65c to 70c per share and proposed a two-for-one stock split.

Test marketing began for Fresh Pack cottage cheese, sour cream and Dip 'N Dressing processed by the new Sealtest method which assures product freshness.

Two honey butter products were formulated for manufacture by Sugar Creek Foods.

MARCH

Kraft "Soft Parkay" margarine was introduced in Canada, and was placed in national distribution in the United States.

APRIL

The Annual Stockholders' Meeting was held in New York City on April 21, and the two-for-one stock split was approved.

Marketing of a new Breakstone tiny soft curd cottage cheese began.

Complete remodeling of the Breyer New York City plant was started to consolidate all of the Company's ice cream processing in the city.

MAY

James S. Erickson was named President of Sugar Creek Foods Division. He succeeded Mr. L. P. McCoun who retired.

NEW!
KRAFT Party Butter Mints
NEW!
KRAFT MILK CHOCOLATE Stars

The confection line was expanded with the introduction of Kraft Party Butter Mints and Milk Chocolate Stars.

Kraft Foods Limited acquired Brains Food Products Limited, leading frozen and fresh meat specialty products manufacturer, in Bristol, England.

JUNE

The 6th Annual Meeting of Kraft's worldwide management and marketing executives was held in Burgenstock, Switzerland.

JULY

The newest and most modern Kraft Foods distribution center, a 35,000 square foot complex, was opened in Minneapolis.

KRAFT
PIZZA PEOPLE GO FOR GO-GO RINGS
SAUSAGE PIZZA
CRISPY ONE-STEP CRUST
GET YOUR GO-GO RING FREE IN THIS PACKAGE

Kraft's popular new line of pizzas was expanded with the addition of a new Sausage Pizza.

New type automatic glass forming machines were installed for Metro Glass to make large-size containers more efficiently.

AUGUST

National Dairy announced that sales for the first six months exceeded $1 billion—a Company first.

Conversion from amber to clear glass for non-returnable soft drink bottles was made at the Metro Glass Pittsburgh area plant.

A new Breakstone whey condensing plant was opened at Walton, N.Y.

Expansion of the HumKo edible oil plant in Champaign, Ill., was begun, as were additions to its chemical plant in Memphis.

SEPTEMBER

A new Breakstone distribution center was opened in Atlanta, Georgia.

An addition to HumKo's Technical Service Laboratory for chemical research was completed.

OCTOBER

National Dairy President, Gordon Edwards, was made

Chief Executive Officer effective November 1. He succeeded J. Huber Wetenhall, who retired in accordance with Company policy. Mr. Wetenhall will continue to serve on the Board of Directors.

KRAFT
brown gravy
KRAFT
hollandaise sauce

Additions to the Kraft line of dry sauces and gravy mixes in 1966 brought the total number marketed in this category to twelve.

Equipping an additional plant for Sealtest's Sheffield chemical operations commenced at Osceola, Arkansas.

A marketing management conference for Kraft Foods Division was held in Chicago.

A new Kraft Edam, Gouda and Romano cheese plant was officially opened at Simpson, Australia.

NOVEMBER

The retirement of E. M. Terner, President of Metro Glass Division, was announced effective December 31. John E. Bellinger was named to succeed Mr. Terner as President.

CHOCOLATE
A GO-GO
CHOCOLATE ICE CREAM
It's all chocolate...
even the stripes!
Sealtest
ICE CREAM

A number of new Sealtest ice cream combinations, introduced in 1966, won high consumer acceptance.

Test marketing was begun for two Sealtest frozen nondairy items—Big Top whip topping and Coffee Twin frozen coffee lightener.

A Sealtest Foods Division United States—Canada marketing management conference was held in Absecon, New Jersey.

DECEMBER

A new Sealtest milk processing plant servicing the Miami, Florida area, was opened.

A fast-filling ice cream equipment program involving 17 filling lines with 35 percent increased speed was completed for Sealtest operations.

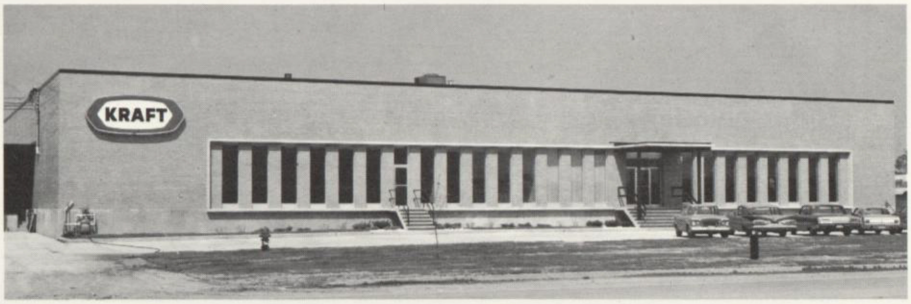
Franco-Suisse, our Belgian Company, acquired Detry S.A. with its modern food-warehousing facilities in Brussels and distribution system throughout Belgium.

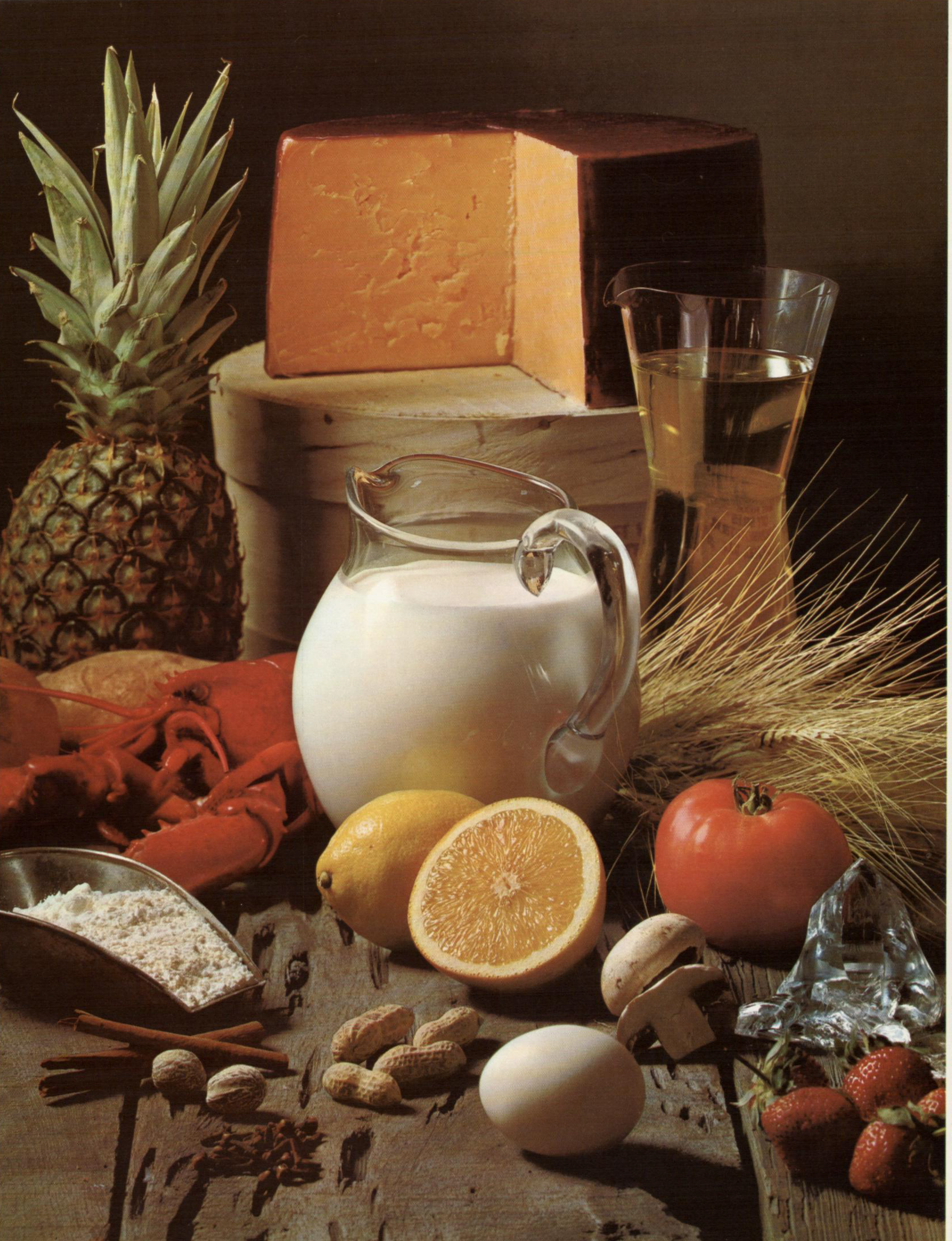
Sealtest
ICE CREAM
MILK

▲ Sealtest milk processing plant in Miami, Florida.

◀ Kraft cheese plant in Simpson, Australia.

▼ Kraft distribution center in Minneapolis, Minn.





GROWTH THROUGH INNOVATION

Businesses operate in a constantly changing environment. Their degree of success is measured in the ability to anticipate change, prepare for it, and influence the direction it takes. Those that excel in this ability form the vanguard of industrial leadership, for they are the innovators.

Innovation has been the key to National Dairy's operating philosophy since its inception, and the driving force that raised the Company to its present position as one of the world's largest producers of processed packaged foods. But while new plants and better equipment provided the capacity for physical growth, the necessary innovations for continued progress have come from the imagination and hard work of thousands of employees around the world.

Innovation in the processing of cheese created Kraft Foods, and put the mark of quality on Sealtest milk and ice cream. It brought leadership to Breakstone and success to Metro Glass; made a small river—Sugar Creek—famous for butter far beyond its banks; and lifted HumKo into prime importance as one of the nation's important edible oil refining operations.

Innovation led to worldwide marketing coordination mixed with individual market-by-market adaptation and specialization. It brought cake mixes to Germany, stick-form cheese to the Philippines, "Cajeta" to Mexico and "Vegemite" to Australia. It produced new ways to assist retailers merchandise our products, and balance shelf and refrigerated case space for maximum profitability. It generated more efficient shipping, warehouse and product-handling systems; and created the popular home-food service suggestions for housewives by Sealtest Consumer Service and Kraft Home Economic Centers. It started our experimental farm in Danville, Illinois, and brought the help of skilled agronomists to thousands of farmers. It established the reason for being for the Research and Development Division. In short, National Dairy has been a thriving incubator of innovation for continued growth, more and better food for all, and growing returns for over 71,000 stockholders.

Nature's bounty from farms all over the world provides the raw material for National Dairy's great variety of food products. More than $1¼ billion worth of raw materials, most of which came from the farm, were purchased by the Company in 1966 to make it one of agriculture's most important single customers. In addition, skilled company fieldmen dedicate their talents to helping the farmers innovate methods to increase both the quantity and the quality of their yields to make even our best products better.

RESEARCH AND DEVELOPMENT

Innovation continued to play its strategic role during 1966 in the Research and Development Division. Substantial contributions were made to all Divisions in the form of new and improved products, processes and packaging innovations. Today's new development announcements are but history to this Division, however, for it is future developments to which it is dedicated. Current research into such technologies as radiation preservation; the use of natural environmental gases to prolong shelf life of fruit and vegetables; cryogenics—the science of ultra-low temperature; food dehydration through various novel techniques; freeze-dried foods; explosion puffing and "engineered" foods. All hold promise of new and exciting things to come.

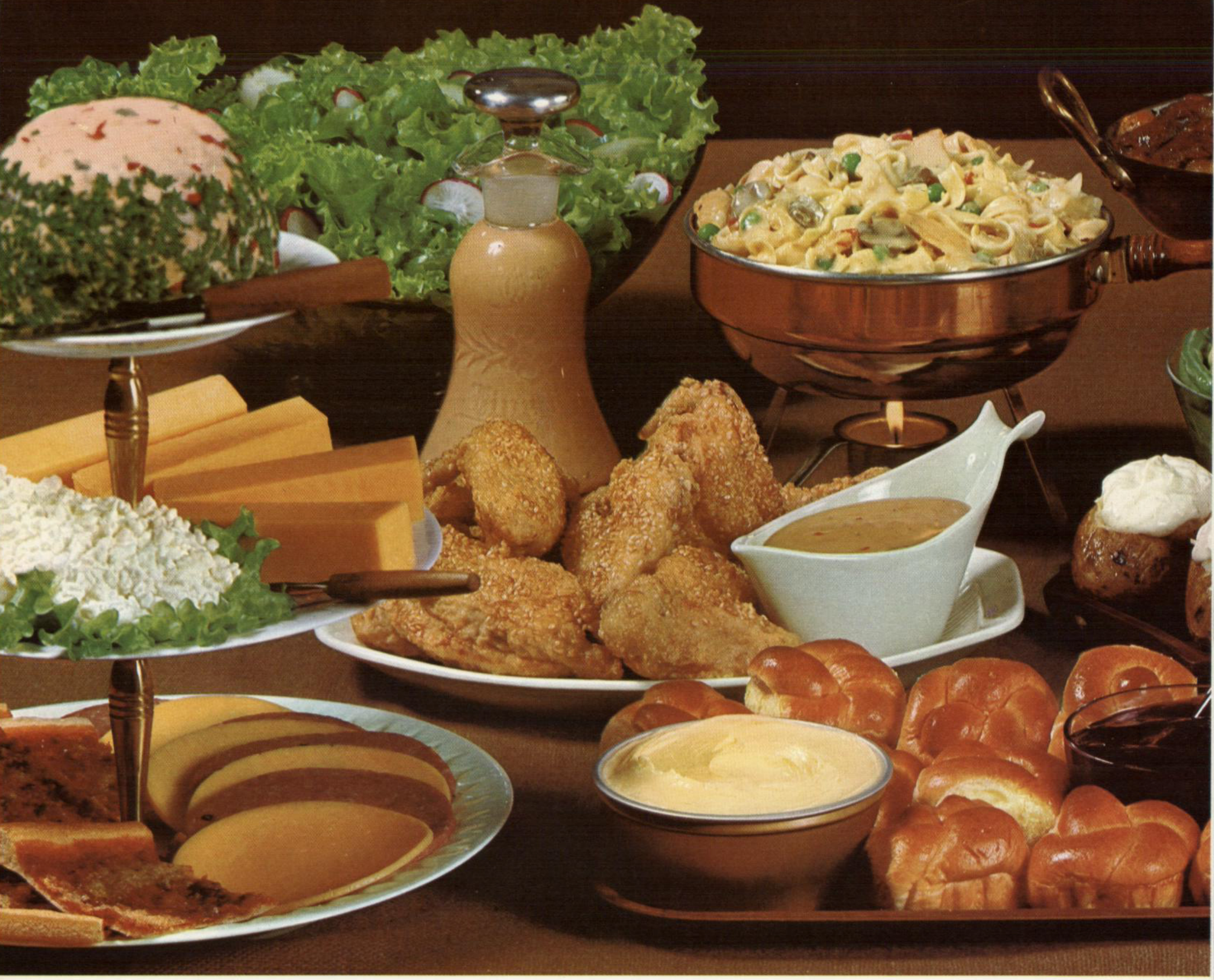
Last year laboratory facilities for studying aseptic packaging of dairy products were improved and modernized to insure that the latest facilities and equipment are available for the necessary research in this extremely important area. The successful application of new technology to hot packing cottage cheese, dairy dips and sour cream to extend their shelf life has made possible broader distribution of these high quality products to customers who otherwise would be beyond reach. Your Company's decision to enter the frozen-prepared-food field has created new horizons of opportunity in growth potential through the capability of R&D to bring new food technology to bear on the products selected for this program. The introduction of individually wrapped cheese food slices in 1965 has proven highly successful in marketing, and significant progress was made in new product and packaging developments to support Kraft in maintaining its strong position in this area.

The Laboratory moved at vigorous pace in the field of plastic packaging to evaluate and apply the many new plastic materials to the packaging of National Dairy products. Results in this effort are encouraging.

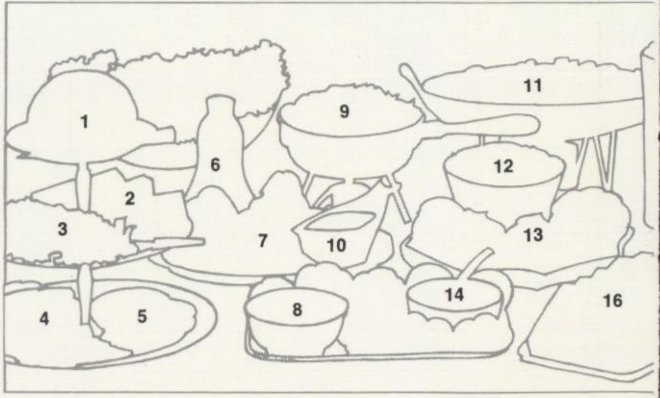
It is this continuing spirit of innovation that has enabled National Dairy to meet the challenges of ever-changing market conditions, and to maintain its position of leadership in the industry.

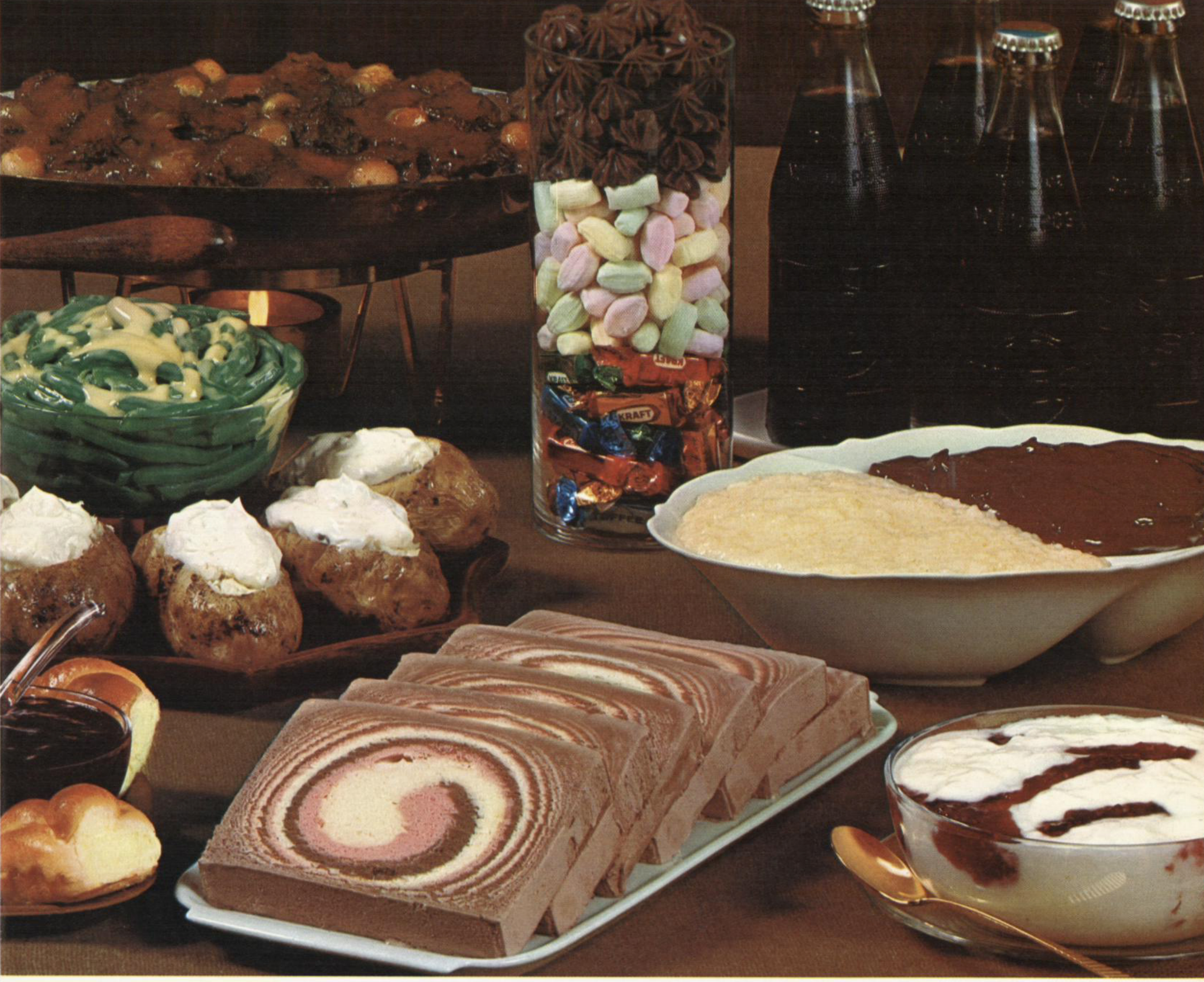
Symbols of innovation—the many tools being utilized in our Research and Development Division by several hundred scientists, engineers, chemists, food technologists and aides who combine their efforts in creative problem solving for all of our operations. Here were born next year's new products, new uses for existing products, product improvements, applications of by-products, and new packaging and production methods.

ND
DAMROW
AMMONIA
VAC.
PRESS.

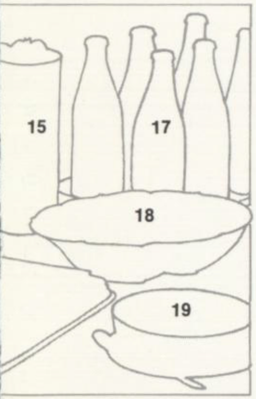


1. Cheese ball using Kraft shredded sharp natural Cracker Barrel cheese
2. Kraft Cracker Barrel Stixpak
3. Sealtest hot-packed cottage cheese
4. Kraft Sausage Pizza
5. Kraft American Cheese rounds
6. Kraft low-calorie Thousand Island Dressing
7. Chicken with new HumKo cooking oil
8. Kraft Soft Parkay margarine
9. Kraft Noodles Romanoff (Expanded test marketing in 1966)
10. Kraft dry chicken sauce mix
11. Kraft Beef in red wine sauce (frozen entree for Institutional use)
12. HumKo's Suflay liquid margarine
13. Sealtest sour cream Dip 'N Dressing
14. Kraft grape jam
15. Kraft milk chocolate stars, Party Butter mints and English Toffee
16. Sealtest Chocolate a Go-Go ice cream
17. Metro Glass new non-returnable beverage bottles
18. Sealtest tapioca and chocolate puddings
19. Breakstone red raspberry yogurt





1966 CONSUMER PRODUCT INNOVATIONS



More than enough new food items were introduced in the American marketplace by National Dairy in 1966 to satisfy most of the food requirements of a varied luncheon snack—or a complete gourmet banquet. Shown above is a sampling of the many new products which were placed in national, regional or test market distribution by the close of the year. Throughout 1966, imaginative technical research skills were combined with those of manufacturing and marketing around the world to find new and better ways of keeping pace with the ever-increasing demand for more appetizing, more nutritious, and more conveniently prepared food products. These new products represent the results of exhaustive studies in consumer needs and preferences.

To satisfy consumer desires for different taste treats, new flavor and color combinations of Sealtest ice cream such as Chocolate a Go-Go, Checkerboard Cherry-Vanilla and Checkerboard Vanilla-Strawberry were introduced.

Kraft added new varieties to its dressing line with low-calorie Thousand Island Dressing, Salad 'N Sandwich Dressing and South Seas Sweet 'N Sour Sauce and Dressing. Individually wrapped Cracker Barrel Stixpak and shredded Cracker Barrel cheese were introduced by Kraft, as well as new Variety Pack sliced natural cheese. Demand for large sizes prompted the introduction of Kraft 2-pound round Cracker Barrel, one-pound, extra-sharp Coon stick, Belle Roanne brand and Casino brand blue cheeses in 5½-pound wheels. These and other product innovations represent better values for the consumer and continued growth for the Company.

ADVERTISING AND MARKETING

National Dairy's advertising programs were designed to set their traditional high standards of excellence in support of new and established products around the world. Television's "Perry Como" spectaculars, "The Road West" and "John Davidson" shows brought Kraft brands and helpful food-service suggestions to millions of North American viewers. Sealtest products, in the first campaign of its kind, were promoted in full-color "Hi-Fi" newspaper advertisements. Top-rated national magazines, Sunday supplements and radio and television spot commercials also were used to advantage by both Kraft and Sealtest. Breakstone's in-store merchandising was an industry leader in service-oriented, point-of-sale promotions. HumKo Products, Sugar Creek Foods, and Metro Glass Divisions presented their sales messages in media directed to special institutional and industrial markets.

National Dairy innovations lead the industry in Food Service-oriented products. Here, a restaurant chef prepares a salad using two of Kraft's most popular institutional products, Kraft Mayonnaise and Kraft French Salad Dressing.

Also in other countries, National Dairy—through its Kraft Foods Division—made frequent use of consumer-service television commercials in Germany, Britain, Italy, Australia, Mexico, Venezuela and the Philippines. Kraft also is recognized as a pioneer in the use of new improved color reproduction in its food-service magazine advertisements abroad.

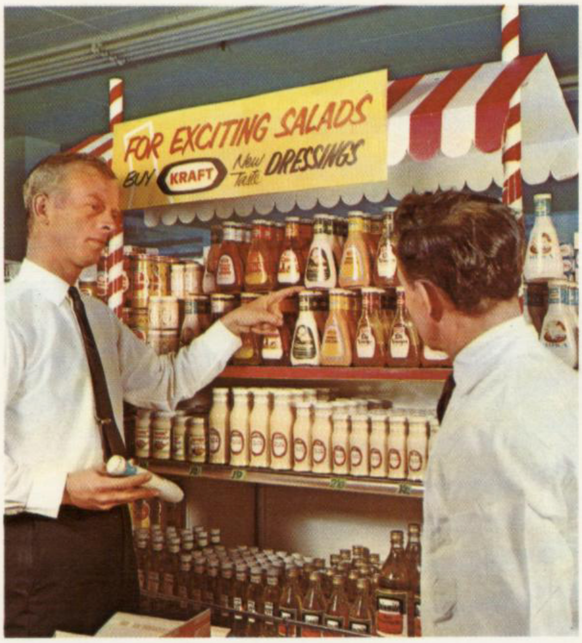
The backbone of National Dairy's marketing operations—the sales forces—last year achieved the highest sales record in the Company's history. Every hour of every day throughout the year, Company salesmen were working with customers someplace around the world. Once again a Kraft management conference was held at Lucerne, Switzerland, where executives from all over the world met to review plans for 1967 and to exchange mutually beneficial ideas and experiences. This technique has long proven invaluable in order to achieve complete utilization of total Company experience.

INSTITUTIONAL SERVICES

Significant gains were made in the expanding institutional market in 1966. Food Service is the nation's fourth largest, and one of the fastest growing, industries in today's economy. New product and service innovations to meet the special needs of mass feeding in restaurants, hospitals, schools, etc., have considerably enhanced the Company's already strong position here.

Especially noteworthy was the test marketing of 55 Kraft frozen entrees and vegetables in Philadelphia, Indianapolis, Kansas City and Atlanta. This is a product area that holds promise for future growth and development. Kraft's portion-control line was increased with the introduction of salt and pepper, dietetic grape and apple jellies, peach preserves, Parkay Pats, squeeze-pack honey and an improved ketchup. To the canned product line were added apple sauce and fancy albacore tuna. Other new 1966 items included Salad Secret and Imperial Italian salad dressing in institutional-size containers, a new tartar sauce, bacon sprinkles, tomato puree, chili sauce and a dehydrated chili mix with beans. A new Kraft cold-pack cheese food, ideal for cocktail lounge and hotel service, created considerable interest when it was first featured at last November's 51st National Hotel and Motel Exposition in New York.

Similarly, Sealtest Foods Division accelerated its sales and marketing efforts in the food service market and an aggressive program is planned for 1967.


FOR EXCITING SALADS
BUY KRAFT New Taste DRESSINGS

1

2

3

4

5

1. Service is the hallmark of National Dairy salesmen everywhere. Here, one of our representatives assists a British retail grocer in setting up a Kraft-innovated shelf display.

2. Fresh-caught seafood is supplied daily to Kraft's dockside processing and packing operation located at Eden, Australia.

3. & 4. Examples of the necessity of innovation to meet the needs of different world markets is shown in (3) this typical Philippine "sari-sari" store, and (4) the tiny Mexican "tienda." Although these are small grocery stores with limited shelf space and refrigeration, their great numbers make them excellent outlets for Kraft products.

5. Producer relations extend around the world. Here an expert from Kraft discusses latest growing techniques with an Italian tomato farmer whose produce will be purchased and shipped to Germany for processing into Kraft Ketchup, the leading brand there.

6

6. One of the four completely equipped test kitchens operated by Kraft in the United States, Australia, Germany and England. Here, as in the Sealtest Consumer Service Center, food products undergo extensive testing under actual in-home conditions. Close liaison between kitchens is maintained so that each benefits from the other's findings.

INTERNATIONAL HIGHLIGHTS

Outside the United States and Canada, sales of Kraft Foods products also continued to increase and excellent progress was made. Facilities were improved, capacity increased and new and improved products were introduced as markets for processed packaged foods expanded.

Forward steps taken in Kraft Foods international operations in 1966 include: the acquisition in England of Brains Food Products Limited, which widened our product base and opened to us the dynamic growth market of frozen foods; the completion of a new cheese plant in Australia and the test marketing of Miracle Whip, and the nine new consumer and eight new institutional products added to the line there; the major factory expansion in the Philippines for manufacturing new products, and the introduction there of Mayonnaise, Sandwich Spread and Cheestiks; the consolidation of our Mexico City facilities with the former Industrias Carrancedo, S. A. operation, that was acquired in 1965; the installation of whey-concentrating and drying equipment in Venezuela; and the variety packages of natural cheese which have received high acceptance in Germany, as has "Frapan," a handy household wrapping film.

INDUSTRIAL SERVICES

Much effort was directed in 1966 to industrial customers—those manufacturers who purchase National Dairy ingredients for their products.

Two new industrial products were offered nationally by Kraft Foods Division—a dry cheese sauce mix for making products such as au gratin potatoes; and Fruitstay, a vegetable stabilizer combining carrageenin and other gums. New food items still in test markets at the end of 1966 were Whipped Topping mix, French Creme mixes (five flavors for creme pies and other pastries) and lemon powder used in place of lemon juice. In the food additive field, a new emulsifier entered test markets.

The widespread adoption of non-returnable bottles for beer and soft drinks marked a significant development in the glass container industry. Metro Glass Division quickly adapted to this opportunity and achieved considerable success with these convenience containers made for both industries.

HumKo Products Division made substantial progress in both its food and chemical operations. In foods, continued emphasis was placed upon development and marketing of specialty products. Liqui-Bread Mix for the bread industry and Wonder Salad Oil made substantial gains in sales over prior years. Additions to the line of special shortenings used in the confectionery and baking industries were made. For the twelfth consecutive year, HumKo's chemical operation showed significant growth—necessitating expansion of its plant facilities. Major increases were from the sale of fatty-acid derivatives including amides, esters and amines. An addition to the Technical Service Laboratory was completed as part of an overall program to further strengthen the technical services provided to HumKo customers. During the year, as outlined, further progress was made in long-range planning for HumKo's chemical operations. Many avenues for growth in the fatty-chemical field as well as in other areas of the chemical industry are being explored.

Highly skilled craftsmen form an important segment of National Dairy's diverse talent requirements. Here, a Metro Glass Division employee inspects a glass container made to the rigid specifications of an industrial designer.

Sugar Creek Division's very successful line of dry drink mixes was expanded with new and improved flavors. Particular emphasis was placed on mixes for vending machines. Manufacturing was begun for two new honey butter products at Sugar Creek both of which are being test marketed by Kraft. A new lactose-processing system was installed for Sealtest's Sheffield chemical operation at Norwich, New York. Also at Sheffield, improvements were made in the manufacture of hydrolysates for the food and pharmaceutical fields.

Sealtest
Swiss style Chocolate Flavored Milk
GRADE A PASTEURIZED HOMOGENIZED VITAMIN D MILK
ONE HALF GALLON LIQUID

Shredded
Breakstone
CREAMED COTTAGE CHEESE
Breakstone
CALIFORNIA STYLE CREAMED COTTAGE CHEESE

VELVEETA
KRAFT
NATURAL CHEDDAR CHEESE
Shredded
Soft PARKAY
MARGARINE

PRINCIPAL DIVISIONS

KRAFT FOODS DIVISION

has extensive food-processing and distributing centers throughout the United States, and is responsible for a major part of National Dairy's international operations. Facilities in the United States, Canada, United Kingdom, West Germany, Belgium, France, Italy, Australia, New Zealand, Venezuela, Mexico and the Philippines produce and distribute a great variety of food products for world markets. Traditionally the leader in cheese products, Kraft has steadily diversified its product lines and now markets a wide range of processed packaged food products. In addition to its products sold in retail outlets, Kraft does an extensive business with the food-service industry. It also produces ingredient products for the baking industry, animal feed industry and other food processors.

William O. Beers
PRESIDENT,
KRAFT FOODS DIVISION

SEALTEST FOODS DIVISION

produces a full line of fluid milk, cream and milk specialties, ice cream and other frozen specialties, and cottage cheese; distributes orange juice, fruit beverages and other food products. It delivers to homes, retail outlets, restaurants and institutional customers from the Atlantic Coast to the Rocky Mountains, and in Puerto Rico. Dominion Dairies in Canada processes and sells dairy, specialty and ice cream products under Dominion and Sealtest brands in the Provinces of Ontario and Quebec. Sealtest's Sheffield Chemical operation produces milk proteins and various milk derivatives and other products for use in the food and pharmaceutical industries. The long-established **Breyer's** ice cream is made in Philadelphia and New York and sold from Connecticut through the mid-Atlantic states to Virginia.

John R. Edwards
PRESIDENT,
SEALTEST FOODS DIVISION

BREAKSTONE FOODS DIVISION

added to its product base and expanded facilities at its Walton, N. Y. plant in 1966. One of the largest producers of cottage cheese, Breakstone also manufactures large quantities of sour cream, cream cheese, yogurt, butter and other cultured milk products under the Breakstone and Temp-Tee brands. From five plants and seven strategically located distribution centers, the Division's products are delivered by refrigerated transport to major markets along the eastern seaboard. The new whey-condensing plant in Walton will provide raw materials for Sheffield Chemical's lactose processing.

L. M. Becker
PRESIDENT,
BREAKSTONE FOODS DIVISION

Sam Cooper
PRESIDENT,
HUMKO PRODUCTS DIVISION

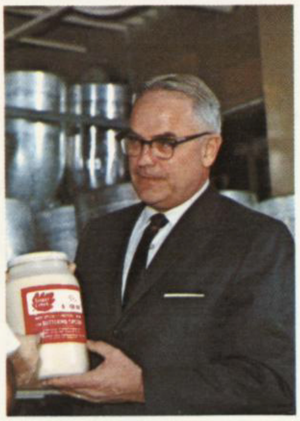
HUMKO PRODUCTS DIVISION

made considerable gains in both its food and chemical areas in 1966. Throughout the year, efforts were devoted to strengthening the over-all operations and planning for future growth. HumKo manufactures a wide variety of edible oils and shortenings for the industrial and consumer markets, plus high-quality industrial fatty acids and chemicals which are used by many leading industries throughout the country. Its ability to tailor food oils and fatty chemicals to fit specific industrial requirements has enabled HumKo to achieve an enviable position in the industry.

METRO GLASS DIVISION

achieved significant growth in 1966 in two major product areas—non-returnable beer and soft drink containers. It is one of the nation's large producers of glass containers for the food, beverage, drug, chemical, and household products industries. Its principal plants are located in the industrial areas of New York City, Pittsburgh and Chicago. Last year plant efficiency was increased through continuation of the program for greater automation, which included installation of new type, higher speed glass-forming machines.

John E. Bellinger
PRESIDENT,
METRO GLASS DIVISION



James S. Erickson
PRESIDENT,
SUGAR CREEK FOODS DIVISION

SUGAR CREEK FOODS DIVISION

continued to advance throughout 1966. Although quality butter (churned and packaged in midwestern dairy centers and sold under Sugar Creek, Sealtest and other brand names) is its main product, the Division has expanded to include a complete line of Sugar Creek brand powdered milk, and diversified to produce ice cream mixes, anhydrous milk fats, and flavor bases for soft drinks and syrups. It operates 13 plants throughout the midwest, with headquarters in Chicago.

RESEARCH AND DEVELOPMENT DIVISION

contributed substantially to the Company's growth through innovation in 1966. This Division conducts extensive research programs for each of the other National Dairy Divisions. Last year it had as many as 700 projects under way at the same time. New and improved products and processes, packaging innovations and important long-range projects were developed in a co-operative effort with the particular Division concerned. The Research Center, located at Glenview, Illinois, is one of the largest and finest equipped in the food industry. Several hundred skilled scientists, chemists, nutritionists, engineers, and technical aides conduct basic and applied research related to each of the Division's activities.

Dr. Raymond H. Hartigan
PRESIDENT,
RESEARCH & DEVELOPMENT
DIVISION

1966 FINANCIAL REVIEW

SALES

Worldwide sales in 1966 set a record for the Company for the twelfth consecutive year. Total sales of $2,251,725,000 exceeded last year's sales by $234,445,000, an increase of 11.6%. A portion of this increase was attributable to the fact that the Company's accounting year included 53 weeks in 1966 compared with 52 weeks in 1965. Physical volume of products sold also reached a new high. Sales outside the United States and Canada, which are included in total sales, increased in 1966 to $229,505,000, which was 10.2% of total worldwide sales.

Processed food products, which have approximately doubled in sales volume in the past ten years, represented 32.2% of total 1966 sales. Included in the processed foods category are such products as mayonnaise, salad dressings and salad oils, margarines, jams and jellies, confections, prepared dinners, citrus products and many food items prepared for restaurants, schools, hospitals and other institutional customers. Manufactured dairy products represented 38.4% of sales in 1966 and included processed and natural cheeses, butter, cottage cheese, cream cheese, yogurt, sour cream, powdered whey and other by-products derived from milk and sold to bakers and other food processors. Fluid milk products accounted for 19.6% of sales and consisted principally of milk, cream, skim milk, chocolate milk, buttermilk and fortified low-fat milk. Ice cream and other frozen desserts including sherbets and ice milk contributed 7.7% to sales. Other products such as glass containers, chemicals, animal feeds, and miscellaneous products represented 2.1% of sales.

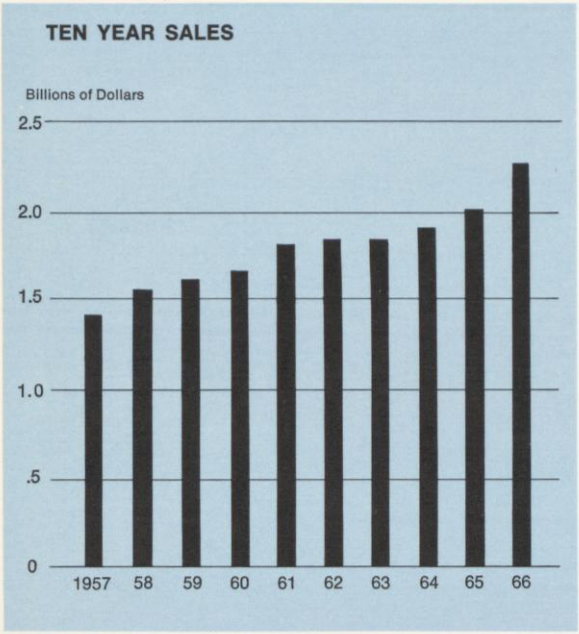
EARNINGS AND DIVIDENDS

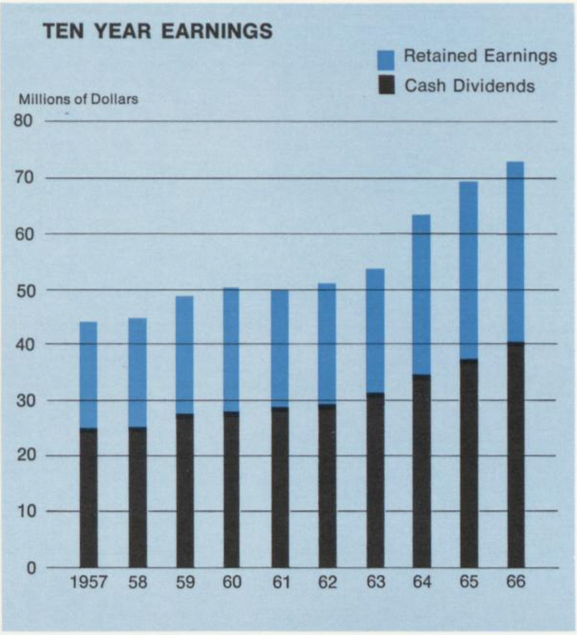
1966 consolidated net earnings established a new high, increasing 5.1% over 1965. Consolidated earnings before taxes on income were $135,476,000 compared to $129,057,000 in 1965 and earnings after taxes on income were $73,461,000 compared to $69,902,000 in 1965. Earnings of consolidated subsidiaries outside the United States and Canada, which are included in total earnings, were $12,923,000 before taxes on income and $7,724,000 after taxes on income.

Earnings per share of common stock were $2.55 in 1966 compared to $2.41 in 1965 as adjusted to reflect the two-for-one stock split in 1966. All taxes on earnings, sales, real estate, equipment, inventories and payrolls were $89,072,000 in 1966, or equal to $3.09 per share.

The portion of each sales dollar which the Company was able to keep for dividends to stockholders and operating requirements declined in 1966 to 3.26¢ from 3.47¢ the year before. This was largely due to the higher costs of raw materials and increased operating expenses. The short supply of milk in the United States was one contributing factor to such higher costs. The milk supply situation has improved in recent months.

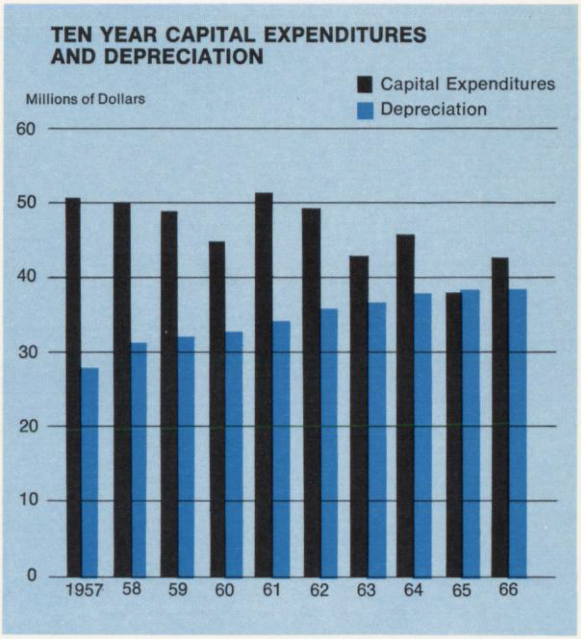
The cost of products, which includes raw materials, containers, packages and processing expense was 76.2% of sales in 1966 compared to 75.4% in 1965. Delivery, selling, and administrative expenses were 17.9% of sales in 1966 compared to 18.4% in 1965. This included advertising expense which was 2.9% of sales compared to 2.8% in 1965.





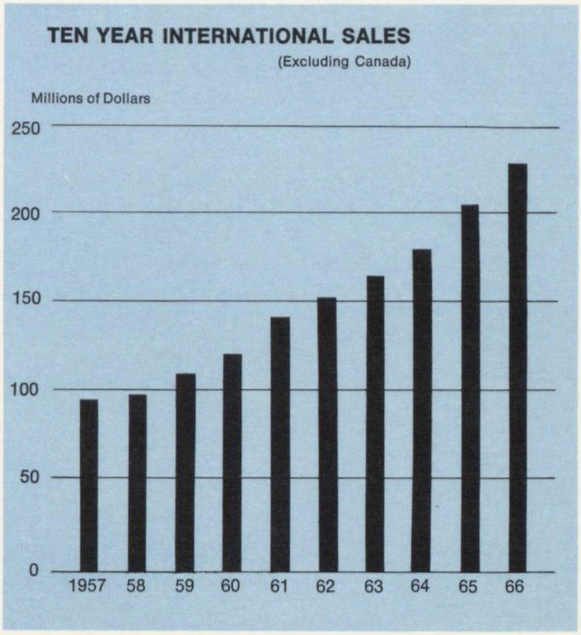
The Company's investment tax credit in 1966 amounted to approximately $1,836,000, or 6.4¢ per share, compared with approximately $2,194,000, or 7.6¢ per share in 1965. Most of this credit will not be available in 1967 due to the United States Government's suspension of the investment tax credit for assets purchased subsequent to October 9, 1966.

The cash dividends paid to stockholders in 1966 amounted to a record $40,413,000, which was $2,749,000 or 7.3% more than in 1965. At year-end, excluding shares held in treasury, there were 28,800,932 shares outstanding, held by 71,240 stockholders.


TEN YEAR CAPITAL EXPENDITURES AND DEPRECIATION

CAPITAL EXPENDITURES

The Company in 1966 made capital expenditures of $42,481,000 for the replacement and expansion of manufacturing and distribution facilities. The capital expenditures budget for 1967 has been approved at $55,721,000. In addition, acquisitions of new businesses required an expenditure in 1966 of approximately $8,750,000. A substantial portion of this amount was borrowed overseas in order to comply with the United States Government's voluntary program to reduce the outflow of investment capital. Depreciation charges in 1966 were $38,481,000, and it is estimated that depreciation in 1967 will be approximately $39,750,000.


TEN YEAR INTERNATIONAL SALES

(Excluding Canada)

FINANCIAL POSITION

The Company's working capital, or net current assets, increased to $325,604,000 at year-end compared to $309,001,000 a year ago. The amount of cash and short-term securities decreased $47,616,000 in 1966 largely because of increased inventory values. Long-term debt decreased $1,590,000 in 1966. This resulted from a reduction of long-term debt in the United States in the amount of $3,645,000 due to the purchase of outstanding debentures at a discount for sinking fund purposes, which was partially offset by additional long-term borrowing overseas.

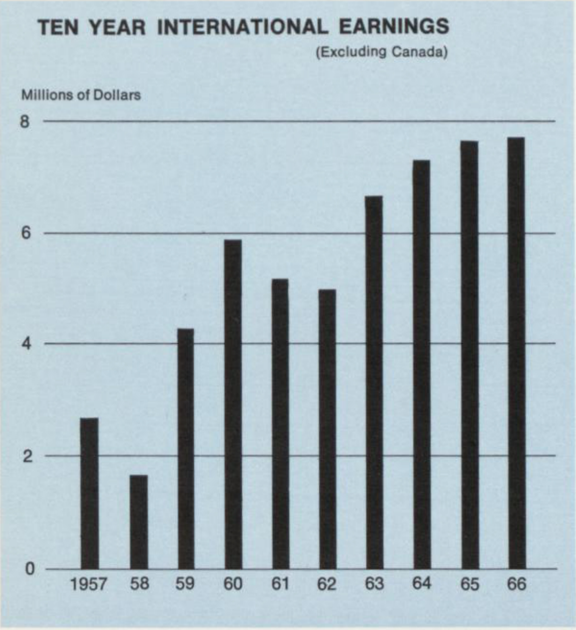
During 1966 the Company purchased 218,500 shares of its common stock under the program to accumulate treasury stock for general corporate purposes and at December 31, 1966 the Company held 380,300 shares. The Board of Directors has authorized the continuance of the program during 1967 and it is expected that an additional 174,000 shares will be purchased during the year. At year-end stockholders' equity amounted to $592,680,000, or $20.58 per share as compared to $19.56 in 1965 as adjusted to reflect the two-for-one stock split.

LITIGATION

One of the antitrust cases mentioned in the last Annual Report has been dismissed and the others are still pending. The indictment involving the sale of fluid milk in Baltimore was dismissed by the District Court on the ground of double jeopardy; the Government's related civil suit is still pending. The Kansas City case was returned by the Supreme Court to the District Court and the Company has appealed that court's decision to the Circuit Court of Appeals in St. Louis. The related treble damage suits are suspended pending this appeal. An appeal by the Government on a technical point in the antitrust case in Miami, in which the Company and nine other dairy concerns are among the defendants, is awaiting decision by the Circuit Court of Appeals in New Orleans. It is anticipated that the case will proceed to trial after this decision.

The Company has appealed to the Circuit Court of Appeals in Chicago from the adverse order of the Federal Trade Commission in the 1957 proceeding alleging price discrimination in the sale of milk and ice cream. In the 1962 proceeding brought by the Commission, charging price discrimination in the sale of jelly, marshmallow topping and yogurt, appeals to the Commission from the Hearing Examiner's rulings are awaiting decision.

In addition, other litigation of the nature usual to companies operating similar businesses, and various governmental investigations, are also pending. See also the comment on Contingent Liabilities in the Notes to Consolidated Financial Statements, on page 29.



CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31, 1966	December 25, 1965
Current Assets:		
Cash	$ 18,838,195	$ 26,335,851
U. S. Government and other short-term securities at cost, not in excess of market	50,628,025	90,746,680
Notes and accounts receivable	134,829,698	121,814,759
Inventories, at lower of average cost or market—		
Products and materials	289,689,835	230,377,675
Supplies	21,141,797	20,550,519
Total Current Assets	$515,127,550	$489,825,484
Property, Plant & Equipment, at cost:		
Land	$ 20,681,771	$ 19,885,543
Buildings	229,419,400	223,358,790
Machinery and equipment	415,483,888	400,595,374
	$665,585,059	$643,839,707
Less—Accumulated depreciation	331,237,978	312,973,468
	$334,347,081	$330,866,239
Other Assets:		
Miscellaneous investments and receivables	$ 9,864,688	$ 10,338,503
Prepaid and deferred items	4,591,243	3,515,560
Intangibles (See note)	20,587,404	18,106,414
	$ 35,043,335	$ 31,960,477
	$884,517,966	$852,652,200

(See Notes to Consolidated Financial Statements, pages 29 and 30.)

NATIONAL DAIRY PRODUCTS CORPORATION . . . AND SUBSIDIARIES

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31, 1966	December 25, 1965
Current Liabilities:		
Accounts payable and accrued liabilities	$155,017,857	$138,362,262
Provision for Federal and foreign taxes on income	34,225,971	41,155,083
Sinking fund requirements, less long-term debt held in treasury ($3,712,000 in 1966 and $3,783,456 in 1965)	280,000	1,306,888
Total Current Liabilities	$189,523,828	$180,824,233
Long-Term Debt (See note)	$ 87,732,021	$ 89,321,584
Other:		
Deferred taxes on income	$ 9,075,882	$ 11,289,567
Reserves for insurance, etc.	4,359,491	3,882,383
Minority interest in subsidiary	1,146,839	1,095,369
	$ 14,582,212	$ 16,267,319
Contingent Liabilities (See note)		
Stockholders' Equity:		
Common stock, $2.50 par value—authorized 40,000,000 shares; issued 29,181,232 shares at December 31, 1966 and 29,097,860 shares at December 25, 1965 (See notes)	$ 72,953,080	$ 72,744,650
Capital surplus (See note)	43,421,774	41,734,127
Retained earnings (at December 31, 1966, $64,675,000 restricted as to payment of dividends under indentures)	492,040,151	458,992,224
	$608,415,005	$573,471,001
Less—Treasury stock at cost—380,300 shares at December 31, 1966; 161,800 shares at December 25, 1965 (See note)	15,735,100	7,231,937
Stockholders' Equity	$592,679,905	$566,239,064
	$884,517,966	$852,652,200

(See Notes to Consolidated Financial Statements, pages 29 and 30.)

NATIONAL DAIRY PRODUCTS CORPORATION...AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	53 Weeks Ended Dec. 31, 1966	52 Weeks Ended Dec. 25, 1965
Income:		
Net sales	$2,251,724,600	$2,017,280,201
Other income	8,632,659	9,556,799
Total	$2,260,357,259	$2,026,837,000
Costs and Expenses:		
Cost of products	$1,716,132,601	$1,520,748,314
Delivery, selling, and administrative expense	402,386,665	370,928,464
Interest on long-term debt	3,551,924	3,483,280
Miscellaneous charges (net)	2,809,987	2,620,312
Total	$2,124,881,177	$1,897,780,370
Income before Federal and foreign taxes	$ 135,476,082	$ 129,056,630
Provision for Federal and foreign taxes on income	62,015,000	59,155,000
Net income for the year	$ 73,461,082	$ 69,901,630
Net income per share of common stock	$ 2.55	$ 2.41

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

	53 Weeks Ended Dec. 31, 1966	52 Weeks Ended Dec. 25, 1965
Balance at beginning of fiscal year	$ 458,992,224	$ 426,754,143
Net income for the year	73,461,082	69,901,630
	$ 532,453,306	$ 496,655,773
Dividends on common stock—$1.40 per share in 1966 ($1.30 in 1965)	40,413,155	37,663,549
Balance at end of fiscal year	$ 492,040,151	$ 458,992,224

(See Notes to Consolidated Financial Statements, pages 29 and 30.)

CONSOLIDATED STATEMENTS OF SOURCE AND APPLICATION OF FUNDS

	53 Weeks Ended Dec. 31, 1966	52 Weeks Ended Dec. 25, 1965
Source of Funds:		
Net income for the year	$ 73,461,082	$ 69,901,630
Non-cash charge—Depreciation	38,480,544	38,221,794
Sale of common stock under options	1,896,077	2,594,254
	$113,837,703	$110,717,678
Application of Funds:		
Dividends paid on common stock	$ 40,413,155	$ 37,663,549
Property, plant and equipment additions (net)	41,961,386	36,952,109
Reduction of long-term debt (net)	1,589,563	6,316,563
Treasury stock acquired (net)	8,503,163	7,231,937
Intangibles, miscellaneous receivables, etc.	4,767,965	10,167,181
	$ 97,235,232	$ 98,331,339
Increase in Working Capital	$ 16,602,471	$ 12,386,339

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS . . . Dec. 31, 1966

Common Stock

At the Annual Meeting on April 21, 1966, stockholders approved a two-for-one stock split, with an accompanying increase in the authorized common stock from 16,000,000 to 40,000,000 shares and a reduction in par value from $5.00 to $2.50 per share. Accordingly shares issued and shares held in treasury as of December 25, 1965 have been restated to reflect this split.

Treasury Stock

During 1966 the Company purchased, for general corporate purposes, 218,500 shares of its common stock. The total held in treasury at December 31, 1966 was 380,300 shares.

Intangibles

Intangibles represent the excess of the purchase prices paid over the net book values of the tangible assets of certain businesses acquired since 1955. The Company does not now intend to amortize items carried in this account.

Contingent Liabilities

Substantial amounts are involved in various legal proceedings in which the Company is a defendant. It is not feasible to predict or determine the outcome of these proceedings, the adjustments in operations which adverse decisions might require or the ultimate liabilities, if any, which might result, but it is believed that the outcome would not materially affect the Company's consolidated financial position or operations.

Employees' Stock Options

At December 31, 1966, 1,013 employees of the Company (including officers) held options, granted under the Company's Employees' Stock Option Plan approved in 1952, under the Plan as amended in 1958, and under the 1965 Stock Option Plan, for an aggregate of 525,332 shares (after reflecting the two-for-one stock split), at prices ranging from $18.05 to $41.43 per share, with an aggregate purchase price of $18,050,484. At that date 322,810 shares remained available under the 1965 Plan for future grants. Options become exercisable in cumulative periodic installments and in 1966 options covering 79,646 shares became exercisable, having an aggregate purchase price of $2,189,670. During the year options covering 83,372 shares were exercised and the proceeds, $1,896,077, were credited to the common stock and capital surplus accounts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS . . . Dec. 31, 1966

Company Pension Plans

The Company and its subsidiaries have several pension plans covering employee groups. The Company's policy is to provide for current service costs as such costs are incurred and to amortize past service costs over a period of years, and, generally, to fund such costs on the same basis. The unfunded actuarial liability with respect to these plans is estimated to be $23,500,000 at December 31, 1966, and is being amortized over the period to 1981. The cost of the plans for the year 1966, including such amortization, was $8,030,000. The Company also makes contributions to joint industry and union plans for certain employees, who are not included under Company plans.

Capital Surplus

Capital surplus was increased by $1,687,647 during 1966 and $2,320,039 during 1965, representing the excess of consideration received over the par value of shares issued under the Employees' Stock Option Plans.

Long-Term Debt

The following tabulation excludes current sinking fund requirements and maturities shown in current liabilities. Debentures held in treasury in excess of current sinking fund requirements are also excluded.

	Dec. 31, 1966	Dec. 25, 1965
National Dairy Products Corporation		
2¾% Debentures due 1970	$16,112,000	$17,638,000
3% Debentures due 1970	9,831,000	10,102,000
3⅛% Debentures due 1976	14,944,000	15,503,000
4⅜% Debentures due 1992	33,011,000	34,300,000
6½% Bank Note renewable to 1970 (Belgium)	3,300,000	3,300,000
7¹/₁₀% Bank Note renewable to 1971 (Belgium)	686,703	—
International Subsidiaries		
5% Debenture Stock due 1975 of English subsidiary	3,220,000	3,360,000
6¾% Debenture Stock due 1975 of English subsidiary	4,060,000	4,200,000
7% Bank Loan due 1969 of English subsidiary	1,120,000	—
8½% Bank Loan due 1969 of English subsidiary	700,000	—
5% Mortgage Debenture Stock due 1968 of Australian subsidiary	747,318	918,584
Total per Consolidated Balance Sheets	$87,732,021	$89,321,584

All of the issues of long-term debt shown above, except the Bank Notes and Loans, have sinking fund or prepayment requirements, the aggregate amount of which totals $4,776,000 for the year 1968.

AUDITORS' REPORT

To the Board of Directors and Stockholders of National Dairy Products Corporation:

We have examined the consolidated balance sheets of National Dairy Products Corporation (a Delaware corporation) and subsidiaries as of December 31, 1966 and December 25, 1965, and the related consolidated statements of income, retained earnings and source and application of funds for the fiscal years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheets and consolidated statements of income, retained earnings and source and application of funds present fairly the financial position of National Dairy Products Corporation and subsidiaries as of December 31, 1966 and December 25, 1965, and the results of their operations and the source and application of funds for the fiscal years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

New York, N.Y.
February 23, 1967

Arthur Andersen & Co.

INTERNATIONAL SUBSIDIARIES OTHER THAN CANADIAN

STATEMENTS OF INCOME

	53 Weeks Ended Dec. 31, 1966	52 Weeks Ended Dec. 25, 1965
Income:		
Net sales	$229,505,359	$201,790,912
Other income	885,544	863,584
Total	$230,390,903	$202,654,496
Costs and expenses:		
Cost of products	$178,816,164	$158,527,432
Delivery, selling, and administrative expense (1966 includes a non-recurring charge of $1,600,000)	38,069,236	31,178,179
Interest on long-term debt	582,581	523,982
Total	$217,467,981	$190,229,593
Income before taxes	$ 12,922,922	$ 12,424,903
Provision for taxes on income	5,199,113	4,741,669
Net income for the year	$ 7,723,809	$ 7,683,234

STATEMENTS OF FINANCIAL POSITION

	Dec. 31, 1966	Dec. 25, 1965
Current assets	$ 61,908,892	$ 60,836,963
Property, plant and equipment, less accumulated depreciation	41,352,393	37,225,953
Other assets	2,268,525	1,040,856
	$105,529,810	$ 99,103,772
Current liabilities	$ 34,172,188	$ 30,308,318
Long-term debt	9,847,318	8,478,584
Reserves	2,249,900	2,171,431
	$ 46,269,406	$ 40,958,333
Net tangible assets	$ 59,260,404	$ 58,145,439

The above accounts are included in the Consolidated Financial Statements.

TEN YEAR SUMMARY

NATIONAL DAIRY PRODUCTS CORPORATION . . . AND SUBSIDIARIES*

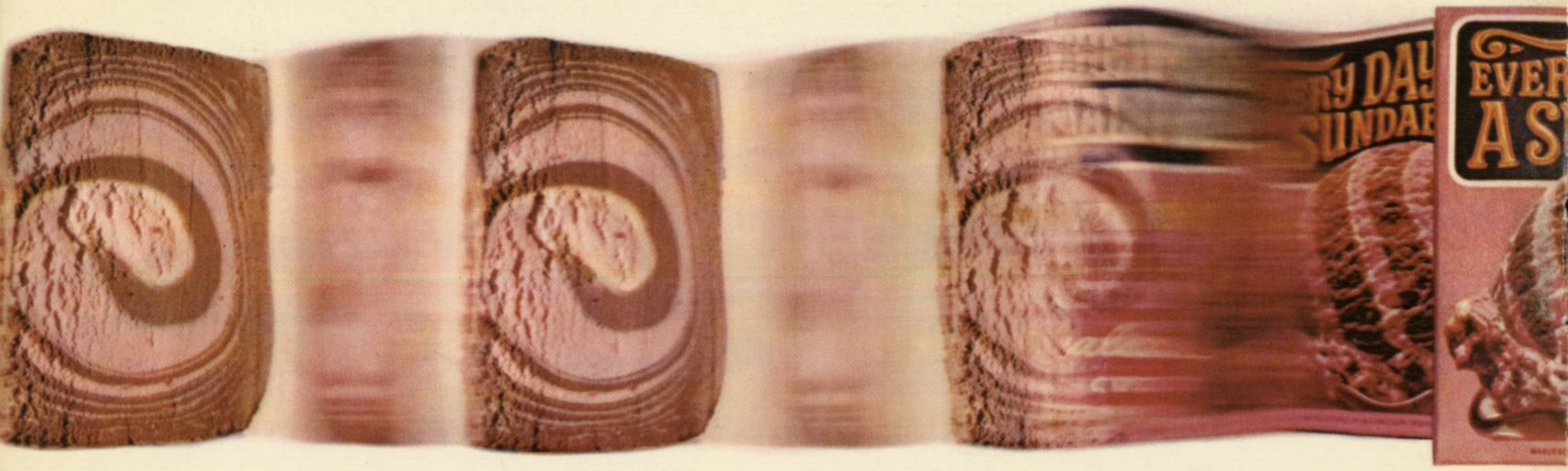
(Dollar amounts in thousands, except per share figures)

	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957
INCOME AND DIVIDENDS										
Net sales	$2,251,725	$2,017,280	$1,919,945	$1,838,971	$1,820,538	$1,790,834	$1,667,176	$1,605,725	$1,548,386	$1,432,319
Income before Federal and foreign taxes on income	135,476	129,057	123,951	110,444	104,478	101,526	101,947	98,462	90,491	83,758
Net income after taxes	73,461	69,902	63,784	54,018	51,303	50,211	50,667	49,362	45,456	44,058
Dividends	40,413	37,664	34,729	31,703	29,411	28,536	28,177	27,317	24,973	24,892
Per share of common stock: ‡										
Net income after taxes	$2.55	$2.41	$2.20	$1.87	$1.78	$1.75	$1.79	$1.75	$1.63	$1.59
Dividends	$1.40	$1.30	$1.20	$1.10	$1.02	$1.00	$1.00	$ .97	$ .90	$ .90
FINANCIAL POSITION										
Cash and marketable securities	$ 69,466	$ 117,082	$ 113,846	$ 93,341	$ 89,551	$ 27,747	$ 43,297	$ 62,498	$ 61,936	$ 73,253
Notes and accounts receivable	134,830	121,815	112,070	105,340	97,155	95,180	87,998	78,710	76,456	65,841
Inventories	310,832	250,928	241,754	244,738	238,713	262,197	224,587	194,213	181,584	146,417
Total current assets	515,128	489,825	467,670	443,419	425,419	385,124	355,882	335,421	319,976	285,511
Total current liabilities	189,524	180,824	171,055	161,021	156,883	170,667	146,638	140,992	131,456	118,383
Working capital	325,604	309,001	296,615	282,398	268,536	214,457	209,244	194,429	188,520	167,128
Property, plant and equipment (net)	334,347	330,866	332,136	329,440	326,603	317,799	298,103	290,242	276,815	239,676
Total assets	884,518	852,652	824,629	796,721	774,267	726,173	670,343	642,082	610,476	535,268
Long-term debt	87,732	89,322	95,638	109,071	116,599	81,808	84,178	87,886	91,673	88,900
Stockholders' equity	592,680	566,239	538,638	507,107	482,467	458,455	428,026	403,855	375,013	341,576
Per share of common stock ‡	$20.58	$19.56	$18.58	$17.56	$16.78	$16.02	$15.16	$14.36	$13.49	$12.33
STATISTICAL INFORMATION										
Capital expenditures	$ 42,481	$ 37,767	$ 45,450	$ 42,667	$ 49,235	$ 51,327	$ 44,425	$ 48,568	$ 49,950	$ 51,284
Depreciation charged during the year	38,481	38,222	37,897	36,955	35,946	34,378	32,771	31,788	30,636	27,917
Total taxes—income, property and other	89,072	82,636	83,299	79,798	75,542	72,087	71,490	66,938	61,502	54,373
Per share of common stock ‡	$3.09	$2.85	$2.87	$2.76	$2.63	$2.52	$2.53	$2.38	$2.21	$1.96
Interest on long-term debt	3,552	3,483	3,759	4,129	3,711	2,598	2,737	2,803	2,943	2,735
Payroll	301,407	280,983	274,546	271,908	273,263	272,159	262,013	256,331	255,602	244,558
Average number of employees	46,525	45,157	45,172	46,432	47,596	48,822	47,943	48,809	50,482	46,332
Number of stockholders at year end	71,240	68,762	69,073	68,682	69,727	69,993	69,940	69,708	68,681	68,364

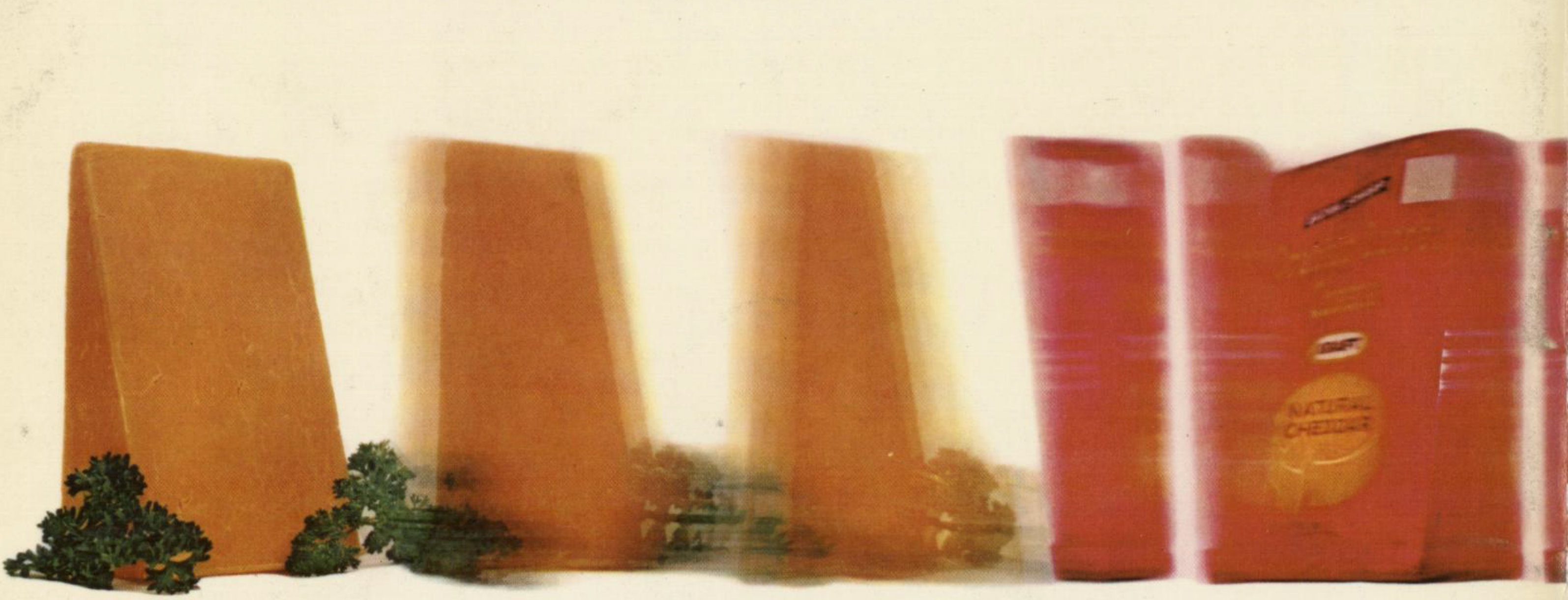
NOTES: *International subsidiaries, other than Canadian, not included prior to 1958.

‡Per share figures for all years have been adjusted for the two-for-one stock split in 1966.

FUDGE! KRAFT Marshmallow Creme
KRAFT Grated 100% Parmesan Cheese
HUMKO OIL
LIGHT KRAFT OIL
KRAFT Barbecue Sauce
KRAFT Thousand Island Dressing
ROKA BLUE CHEESE DRESSING
KRAFT Miracle FRENCH DRESSING
KRAFT Chocolate Covered Peanut Brittle
KRAFT Chocolate Covered CASHEW CLUSTERS
KRAFT Chocolate Covered Peanut Clusters
KRAFT Milk Chocolate Covered Chocolate Marshmallows
Caramel Apples
KRAFT Peanut Brittle
KRAFT Chocolate Covered Brazil Nuts
KRAFT Chocolate Covered ALMONDS
KRAFT Chocolate Covered Almond Toffee
KRAFT Chocolate Covered Caramels
KRAFT Butter Mints
KRAFT MILK CHOCOLATE Stars
KRAFT Bridge Mix
KRAFT Chocolate Covered Almond Clusters
KRAFT Tangy Italian Style Spaghetti DINNER HOME COOKED DINNER
KRAFT chicken gravy mix
KRAFT brown gravy mix
KRAFT hollandaise sauce mix
KRAFT brown gravy mix
KRAFT sour cream sauce mix
KRAFT Italian style spaghetti sauce mix
KRAFT barbecue sauce mix
KRAFT white sauce mix
KRAFT HOME COOKED DINNER Spaghetti with Meat Sauce IN THE BEST ITALIAN TRADITION
COMPLETE! Serves 3-4...Ready in 10 minutes
KRAFT Tuna Normandy
WHITE MEAT of TUNA with SAUCE FRANÇAISE and GOLDEN NOODLES
KRAFT Macaroni & Cheese DINNER
KRAFT HOME COOKED DINNER Chicken Imperial
COMPLETE! Serves 4...Ready in 12 minutes
KRAFT Sandwich Spread
Cheez Whiz
KRAFT Mayonnaise
America's Favorite KRAFT Miracle Whip Salad Dressing
KRAFT PREPARED MUSTARD WITH SELECTED SPICES
KRAFT Pure PEACH PRESERVES
KRAFT Pure Concord GRAPE JELLY
KRAFT Butterscotch TOPPING
KRAFT Pineapple TOPPING
KRAFT Pure APPLE JELLY
KRAFT PIZZA PEOPLE ARE SWINGING TO KRAFT CHEESE PIZZA
CRISPY ONE-STEP CRUST
KRAFT SAUSAGE PIZZA
KRAFT FRENCH DRESSING
MARZIPAN


EVERY DAY A SUNDAE

KRAFT
8 FL. OZS.
KRAFT
FRENCH
DRESSING
Creamy thick and mild


KRAFT
NATURAL CHEDDAR

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